



SINGAPORE
BUSINESS
FEDERATION

SNEF

Briefing on National Wages Council Guidelines for July 2006 to June 2007

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Economic Review for 2005

	2004	2005
GDP Growth	8.7%	6.4%
CPI	1.7%	0.5%

Labour Market Review for 2005

	2004	2005
Unemployment Rate in Dec	3.1%	2.6%
Resident Unemployment Rate in Dec	4.1%	3.4%
Retrenchment	10,191	10,294
Employment Change	71,400	113,300

Productivity Growth & Wage Growth (2004-05)

	2004	2005
Productivity Growth	6.9%	1.9%
Nominal Basic Wage Growth (Real)	2.7% (1.0%)	3.1% (2.6%)
Nominal Total Wage Growth (Real)	3.6% (1.9%)	4.3% (3.8%)
Annual Variable Component (Months)	1.87 Months	2.06 Months

Productivity Growth Vs Real Basic Wage Growth 1997-2005 (Cumulative)



Relative Competitiveness

- Unit Labour Cost
 - Decreased by 1.5% in 2005
- Unit Labour Cost in Manufacturing
 - Decreased by 3.0% in 2005
- Relative Unit Labour Cost
 - Grew by 0.2% in 2005

Economic Outlook 2006

- Economic Growth expected to be 5-7% for 2006
 - Revised upwards from 4-6%
 - 1st quarter GDP Growth was 10.6%
- Labour Market remained healthy
 - 33,400 jobs created in 1st quarter
 - Unemployment rate stayed at 2.6%

NWC Recommendations

A) Ensure Wage Increases Are Sustainable

- **Built-in wage increases should continue to lag behind productivity growth in order to be sustainable and to maintain our cost competitiveness**
- **Make greater use of variable bonuses to reward their workers, taking into consideration varying productivity and wage performances**
- **Companies that are performing well should grant higher variable bonuses.**

NWC Recommendations

B) Accelerate Wage Flexibility

- **Companies should continue to implement wage restructuring and adopt the three key recommendations, to put in place a more flexible and performance-based wage system. Viz a. narrow salary ranges b. MVC and c. KPIs for variable bonuses**

NWC Recommendations

B) Build up the MVC

- **Companies which are granting built-in wage increases should use the increases to build up the MVC. Those which have yet to introduce MVC are strongly urged to do immediately**
- **Companies could use the wage increase and/or set aside a portion of existing basic wages as the MVC**

NWC Recommendations

B) Develop KPIs and Performance management systems

- **Companies should formulate and apply appropriate Key Performance Indicators (KPIs) to link variable bonus payments closely to corporate performance.**
- **Companies should also develop performance management systems to better assess and reward workers' individual performance.**

NWC Recommendations

C) Enhance Employability of Older Workers

- **Accelerate wage restructuring and move away from seniority-based wages**
- **Embark on job-based, competency-based and/or performance-based wage systems**
- **Hire mature and older workers and retain them beyond the retirement age of 62**
 - Use the Tripartite Guidelines on the Employment of Older Workers above 62 years old

NWC Recommendations

D) Step Up Efforts To Help Low Wage Workers

- **Give higher increases for low wage workers by**
 - Specifying a higher percentage increases
 - AND /OR
 - Including a dollar quantum for built-in wage increases
- **Can apply same principle for variable bonus**

NWC Recommendations

D) Step Up Efforts To Help Low Wage Workers

- **Urges companies to actively work with NTUC, SNEF & WDA to achieve the target of recreating and redesigning 10,000 jobs in 2006 to raise workers' productivity and earning capacity.**

NWC Recommendations

E) Step Up Skills Training and Upgrading

- **Skills training and upgrading are still key to helping workers raise their productivity and take on better paying jobs.**
- **Urges companies to step up their training and skills upgrading of workers, in particular older workers, low wage workers and contract workers.**

Application of NWC's Recommendations

- The NWC recommendations cover the period from 1 July 2006 to 30 June 2007.
- Share relevant information on corporate performance and KPIs with unions/workers.
- These recommendations are applicable to all employees – management, executives and rank-and-file employees, unionized and non-unionised companies and in both the public and private sectors.

Conclusion

- Economy is expected to continue to grow healthily
- More jobs would be created and labour market may tighten
- Companies should ensure that built-in wage increases lagged behind productivity growth
- Companies should make greater use of variable bonuses

Thank You!